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# Congress of the United States

## U.S. House of Representatives

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August 8, 2003

## ***'American Jobs Creation Act' Delivers 4 Times More Help to Domestic Manufacturers***

Dear Colleague:

*The American Jobs Creation Act of 2003* (H.R. 2896) provides over **\$100 billion** of tax cuts to U.S. domestic manufacturers, more than **four times** the domestic manufacturing tax relief provided in the Rangel-Levin bill (H.R. 1769).

Furthermore, the *American Jobs Creation Act* provides a total of **\$128 billion** of tax relief over the next ten years (**\$115 billion** in the first five years.) On the other hand, the Rangel-Levin bill provides only **\$100 million** in tax relief over the next 10 years, and a **\$767 million tax increase** over the next five years.

In addition to providing over **\$100 billion** of tax relief to U.S. domestic manufacturers, the *American Jobs Creation Act* also (1) removes the threat of \$4 billion of annual trade sanctions against many of our most vital and endangered industries (steel, agriculture, wood and paper products, manufacturing tools, and textiles) and (2) increases the domestic and global competitiveness of all U.S. businesses and U.S. workers.

Over 175 companies and trade associations employing well over 10 million U.S. workers support the *American Jobs Creation Act* already. The United States' largest manufacturers – including John Deere, General Electric, Ford, General Motors, Hewlett-Packard, International Paper, 3M, General Mills, Georgia-Pacific, Eastman Kodak Company, and Cargill – are among the many domestic manufacturers supporting the bill.

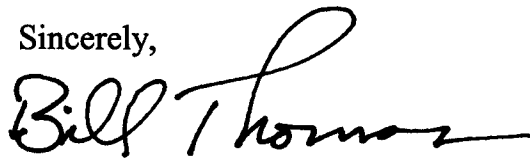
The provisions in the *American Jobs Creation Act* will allow these, and all other domestic manufacturers, to increase their sales, their U.S. employment, and their ability to compete in the United States and globally.

In addition to provisions that enhance the competitiveness of U.S. exporters, the *American Jobs Creation Act of 2003* provides the following benefits to domestic manufacturers (*more detailed summary attached*):

<u>Provision</u>	<u>2004-2013 Tax Savings</u>
• Corporate rate cut	<b>\$19.5 billion</b>
• Corporate AMT relief	<b>\$17 billion</b>
• Extended and expanded R&D tax credit	<b>\$23 billion</b>
• Faster manufacturing equipment depreciation	<b>\$34.5 billion</b>
• 50% Bonus depreciation	<b>\$12 billion</b>
• Small business expensing	<b>\$2 billion</b>
• Net operating loss carryback	<b>\$5 billion</b>
• Repatriation of foreign income	<b>\$3 billion</b>

I ask for your support in helping to create U.S. jobs, particularly for manufacturing.

Sincerely,

A handwritten signature in black ink that reads "Bill Thomas". The signature is fluid and cursive, with the first name "Bill" and last name "Thomas" clearly distinguishable.

Bill Thomas  
Chairman

# Committee on Ways and Means

## *The American Jobs Creation Act of 2003*

### **\$100 Billion Of Tax Relief For U.S. Manufacturers**

The bill provides the following benefits to manufacturers:

- **32% corporate rate (\$19.5 billion).** Congressman Manzullo's recent Dear Colleague stated that 95% of manufacturers are small or mid-sized businesses. The new 32% tax rate is a tax cut for those small and mid-sized manufacturers with taxable income of less than \$10 million. **In fact, 99.7% of corporations will have a top tax rate of no more than 32%.**
- **AMT relief (\$17 billion).** The National Association of Manufacturers calls AMT the "Anti-Manufacturing Tax." Although we can't fully repeal the alternative minimum tax, the modifications will virtually eliminate AMT for manufacturers. The bill does the following:
  - Doubles size (from \$7.5 million to \$15 million) of companies exempt from AMT.
  - Eliminates the 90% limitation on the use of net operating losses against AMT.
  - Eliminates the 90% limitation on the use of foreign tax credits against AMT.
  - Reduces the AMT depreciation adjustment by 50%.
- **R&D tax credit (\$23 billion).** Manufacturers receive over 80% of the R&D tax credit. Because R&D (and the R&D tax credit) are vital to the manufacturing sector, the R&D tax credit is expanded and extended for 3 ½ years.
- **Manufacturing depreciation (\$34.5 billion).** The provision allows manufacturers to write off the cost of their investments faster. **The tax savings from this proposal go exclusively to U.S. domestic manufacturers.**
- **Bonus depreciation (\$12 billion).** Manufacturers benefit from bonus depreciation through (1) accelerated depreciation on the goods they employ in the manufacturing process and (2) increased sales to customers that purchase manufactured goods. Given that bonus depreciation provides a double benefit to manufacturers, this year's bill extends the 50% bonus depreciation for one year (through December 31, 2005.)
- **Section 179 expensing (\$2 billion).** The ability of small manufacturers to expense (immediately deduct) capital purchases enables them to expand their businesses. Additionally, the ability to expense the purchase of manufactured goods causes an increase in the purchase of manufactured goods. For these reasons, the Growth bill section 179 expensing provision that increased the amount of property that small businesses can expense from \$25,000 to \$100,000 is extended for two years (through December 31, 2007).

- **NOL carryback (\$5 billion).** The current downturn in the economy has caused the manufacturing sector, more than any other, to incur financial losses. The NOL provision will allow manufacturers to carryback their 2003 losses for five years and get refunds of prior tax payments. The refunds will help manufacturers through the downturn and enable them to invest in their businesses and retain and hire workers.
- **Repatriation (\$3 billion).** The Joint Committee on Taxation and a J.P. Morgan Study state that the repatriation provision will result in between \$100 billion and \$350 billion in foreign earnings being brought back to and invested in the U.S. economy. A substantial portion of this money will be invested in U.S. manufacturing plants and equipment and U.S. manufacturing job retention and expansion.
- **Multinational reforms.** Assistant Treasury Secretary for Tax Policy Pam Olson, in her July 15, 2003 testimony before the Senate Finance Committee, stated that making the U.S. international tax rules competitive will lead to increased sales, increased U.S. domestic manufacturing to support those sales, and increased U.S. jobs.

Enhancing the ability of U.S. companies to compete in the global marketplace will increase, rather than decrease, U.S. jobs and U.S. production. Glenn Hubbard, Chairman of the Council of Economic Advisors, in his June 13, 2002 testimony before the Select Revenue Subcommittee, stated that each dollar of foreign investment results in two dollars of **additional** exports of U.S. domestically manufactured goods.

During the June 13<sup>th</sup> hearing, Glenn Hubbard also testified that foreign acquisitions of U.S. companies eventually lead to the exportation of good, high paying U.S. jobs and U.S. research and development.

The bill contains a number of provisions to make U.S. companies more competitive in the global market, resulting in an increase in U.S. manufacturing and U.S. manufacturing jobs. The bill also will reverse the destructive explosion of foreign companies acquiring U.S. companies and keep U.S. jobs, production, and research in the United States.